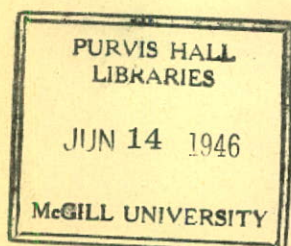


BRAZILIAN TRACTION
LIGHT and POWER
COMPANY
LIMITED

1945

THIRTY-THIRD ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1945



BRAZILIAN TRACTION, LIGHT AND POWER COMPANY, LIMITED

(Incorporated under the Laws of the Dominion of Canada)

AUTHORIZED SHARE CAPITAL

ORDINARY SHARES —7,600,000 shares of no par value, subject to increase up to a total of 7,933,333 shares of no par value by conversion of Preference Shares.

PREFERENCE SHARES—100,000 shares of the par value of \$100 each, convertible into Ordinary Shares of no par value on the basis of 3 Preference Shares for 10 Ordinary Shares. (96,066 of these shares have been converted at the date of this report.)

Board of Directors

COLONEL WALTER GOW, K.C., *Chairman*

A. W. K. BILLINGS, *President*

H. MALCOLM HUBBARD, *Vice-President*

RIGHT HON. SIR THOMAS WHITE, G.C.M.G.

JOHN DAVIDSON

S. H. LOGAN

C. D. MAGEE

NORMAN D. WILSON

E. C. FOX, *Vice-President*

S. G. CROWELL, K.C.

A. P. HOLT

JAMES A. ECCLES

RIGHT HON. THE VISCOUNT GREENWOOD, P.C.

G. R. F. TROOP

HENRY BORDEN, C.M.G., K.C.

Secretary

D. H. CROMAR

Assistants to the President

F. A. SCHULMAN C. H. N. ASHLIN

Assistant Secretaries

DAVID SMITH

W. D. HOOPER (LONDON)

Treasurer

G. R. F. TROOP, C.A.

Bankers

THE CANADIAN BANK OF COMMERCE,
TORONTO, NEW YORK AND LONDON

LLOYDS BANK LIMITED, LONDON

THE BANK OF SCOTLAND,
EDINBURGH AND LONDON

Solicitors

BLAKE, ANGLIN, OSLER & CASSELS, TORONTO

Auditors

CLARKSON, GORDON & CO., TORONTO

Offices

HEAD OFFICE - - - - - 25 KING STREET WEST, TORONTO 1, CANADA
LONDON AGENTS - - - - - CANADIAN & GENERAL FINANCE CO., LIMITED

TEMPORARY ADDRESS:

H. MALCOLM HUBBARD, REPRESENTATIVE,
74, THE DRIVE,
HOVE, SUSSEX,
ENGLAND

While both gross earnings and net revenue for 1945 are the highest in the Company's history the increase in earnings per share is by no means commensurate with the large amounts which have been invested in properties, plant, etc. during recent years. The earnings per share on the average outstanding ordinary shares for 1945 are \$3.15½ as compared with \$3.12 in 1944.

Capital Expenditure

The cash expenditure on capital account by the operating companies during the past five years is as follows:—

1941	1942	1943	1944	1945
\$11,036,103	\$9,219,239	\$13,773,168	\$11,944,742	\$19,439,456

The average annual expenditure over the above five year period is \$13,082,541. It will be appreciated that this figure will be substantially increased during the next three or four years.

Depreciation and Amortization

An amount of \$5,528,381 has been set aside by the operating companies for depreciation in the year 1945. As will be seen from the statement on page 3 the annual provision for depreciation has been decreasing for a number of years past. This is one of the results of the special study of the subject made in 1942 and 1943 when the amounts which should be set aside for each class of depreciable asset were redetermined.

Brazilian Exchange—1945

Exchange rates remained stationary during the year 1945. Control of exchange through the Bank of Brazil continued in effect. The closing rates in the "free market" (where purchases are limited to payment for imports) for sight drafts on New York and London respectively were 5.13 cents and 3-11/256d. (sterling area) on 31st December 1945, the same as at the close of 1944.

The corresponding "special free market" rates for general remittances duly authorized by the Bank of Brazil were five cents and 3-11/256d. (sterling area) at the end of the year, also the same as at 31st December 1944.

The five per cent tax charged on all remittances is excluded from the rates quoted above.

The current assets and liabilities of the operating companies in Brazil were valued at the end of the year in dollars at the closing sight rate on the special free market for exchange on New York.

The combined earnings of the operating companies, expressed in dollars, which are published monthly and which appear in total in the tabulated statement on page 3 of this report are calculated at the remittance rate for the month in which the earnings were made, due provision being made for the remittance tax.

Following the end of the year a Decree-law was issued (No. 9025 of 27th February 1946) under which, among other things, the "special free market" in exchange was merged with the "free market". From the date of the decree remittances for imports as well as general remittances will be made at the one rate.

The remittance tax of 5% was abolished by the same decree, but its place has been taken by a "quota" of 3% to be included in the rates quoted by Brazilian banks for drafts and other types of remittances. In effect the remittance tax has been reduced from 5% to 3%, the net result, from the Company's standpoint, being a slight betterment in our remittance rate.

Dividends Paid

In addition to the usual quarterly dividends on the small outstanding balance of the preference shares, two dividends were paid during the year on the ordinary shares of the Company, viz.:—\$1.00 on 1st June and \$1.00 on 1st December (Canadian funds).

Labour Costs—Wage Rates

The conditions which created serious labour and wage problems, referred to in the last Annual Report, continued during 1945 and became even more aggravated as the year advanced with the result that the wage increases therein mentioned as having been granted proved inadequate and further substantial increases became essential. These were embodied in a compromise arrangement made under the auspices of the Minister of Labour and agreed to by all parties on 5th December 1945.

These further wage increases were made retroactive to September 1st. The overall result, for the year 1945, has been an increase in wages ranging from 81% for the lowest paid group to 25% for the highest, based on the wage rates effective at 31st December 1944. Notwithstanding this, the agitation continued and brief strikes, on the part of a portion of our personnel, occurred in São Paulo and Santos at the end of the year while throughout Brazil strikes were widespread. As the result the Government felt obliged to direct the payment of a special "Christmas bonus" to the employees of all public utility companies, the additional cost of which to our companies was approximately \$1,325,000.

On 16th March 1946 Decree-law No. 9070 was issued, the effect of which is to forbid strikes in the essential public services in Brazil.

In spite of the efforts which the Government has made and is continuing to make to control the cost of living, price increases continue and until stability is reached in this respect the wage problem cannot be considered as settled. A central price control commission has recently been established with this object in view. In the meantime active agitation continues for further wage increases, principally on the part of Communist and other radical groups, with a bitter press campaign being waged against the Company.

Increase in Tariffs

Decree-law No. 7524 of 5th May 1945, to which reference was made in last year's report, authorized a 10% additional charge on the rates for electrical energy, gas, water and telephone services and also an increase of 10 centavos (one-half cent) per passenger on collective urban transport fares. The decree, likewise, provided that the proceeds from such increases should be used to defray the cost of specified increases in wages over those ruling in December, 1944. By an extension of this last provision the cost of subsequent wage increases approved by the Minister of Labour was likewise permitted as a set off against the proceeds of the additional charges. These last, however, during the period for which it was possible to apply them in 1945, did not by any means cover the full cost of wage increases, the deficiency, for the year in question, being \$5,200,000. Provided the other factors in the situation do not change this deficiency should be somewhat reduced in 1946 when the benefit of increased rates should be experienced for a full year.

The total number of employees in the companies' services at the end of 1945 was 49,086 compared with 43,690 in 1944. Of this large increase 4,420 was in the construction personnel. The increased wage rates now being paid have made it somewhat easier to obtain construction labour.

Electric Power Supply

In the Rio region, while the river-flows recorded for 1945 were more than in the year 1944, they were still well below average and the dry cycle continued. Conditions, however, were sufficiently improved to make it possible to discontinue the rationing of electric energy.

The Serra-Lages transmission line continues under active construction; nearly all of the right of way was purchased; the roads, trails and camps were built and the permanent telephone line was 80% completed at the end of 1945. This transmission line is expected to be in operation by the early part of 1947.

At the Serra do Cubatão plant (São Paulo system) the surge tank and tunnel "B" were completed and put into service in October 1945, the change-over of units Nos. 1 and 2 from

surge tank "A" also being made. This, with a modification of the nozzles of unit No. 3 increased the Serra plant capacity by somewhat more than 74,000 H.P.

Serra unit No. 4 and the power house building extension for units Nos. 4, 6 and 8, were also started during the year. Each of these Serra units has a capacity of 91,000 H.P. Unit No. 4 is scheduled to come into service at the end of 1946. Unit No. 6, a duplicate of unit No. 4, was ordered during the year.

The work in the rectification of the Pinheiros, Grande and Guarapiranga rivers (which will provide additional water for Cubatão) continued slowly during the year. A contract has been let to complete the lower Pinheiros portion of the excavation.

At the Ribeirão das Lages installation (Rio system) work continued at a reduced rate on the reconstruction and raising of the main dam. Owing to prevailing drought conditions it will not be possible to accumulate much additional water in the reservoir until the Serra-Lages transmission line comes into service in the early part of 1947. The excavation of the first of the two large tunnels was completed early in 1945. The work of lining and grouting this tunnel is about completed and it is expected to be ready for testing in June of this year.

The installation of Lages unit "C" of 47,000 H.P. nominal capacity (57,000 H.P. actual maximum) was started in 1945 and the unit is expected to be in operation about the end of 1946.

The Paraíba-Pirai project, mentioned in last year's report, permits about 675,000 H.P. additional firm power at 60% load factor to be obtained by consecutive steps in the Lages plant and 135,000 H.P. in the Lages Auxiliary plant (when built) by diverting and pumping up to 160 metric tons per second from the Paraíba river above Barra do Pirai via a $3\frac{1}{4}$ mile tunnel, the Pirai river valley and the Vigario pool canal and tunnels, into the Lages plant, extended as needed. Thus by elevating this water about 135 feet in the Santa Cecilia and Vigario pumping plants, whenever power is available, this water becomes available in a total head of 1,125 feet at any time when the system needs the power. The same Lages units can use water also from the Lages reservoir, now being enlarged to a capacity of 1,100,000,000 metric tons. The various units will be installed as needed, over a long period of years, and regulating reservoirs on the upper Paraíba rivers will be added toward the close of this period when needed.

This installation, serving primarily the Rio region, will also operate advantageously in parallel with the much larger Serra do Cubatão installation, which serves primarily the São Paulo region. The latter uses similarly the method of pumping through low heads, (up to 200 feet), storing over long periods and then dropping through very high heads (over 2,280 feet) the excess waters of the upper basin of one tributary, the Tiete, of the Parana and River Plate. Such long range planning on a large and economical scale is essential to the rational development of the great hydro-electric resources of these industrial regions of Brazil.

In the work of sanitation and malaria prevention at the Lages Reservoir considerable success has attended the Company's experiments with the use of DDT in mosquito control.

Railway Electrification

The electrification of the Sorocabana Railway, mentioned in last year's report, continues as rapidly as conditions permit and there are now under construction a further 30 miles of line, making a total of 117 miles under electrification.

Reference was also made last year to the electrification of the São Paulo Railway from São Paulo to Jundiaí. The plans for this initial step have been presented to the Federal Government and it is expected that the electrified part of the system will be operating in two years from the date of approval. Arrangements have been made for the supply of electric power from the Company's system for this electrification.

Studies are being made with regard to further progressive electrification of the lines of the Estrada de Ferro Central do Brasil, from Belem to Barra do Pirai in the State of Rio, and also in the suburbs of São Paulo as far as Mogi das Cruzes.

Transportation

The Federal Decree under which the tramway service in São Paulo has been operated since the concession expired in July 1941 was rescinded by the Government in December 1945 and the discussions with the Municipal authorities relative to the future of the tramway service, which had been in abeyance as a result of the 1941 decree, have been resumed.

Under the terms of Decree-law 5404 of 13th April 1943, the Federal District authorities (of Rio de Janeiro) were empowered to discuss with tramway and bus companies their merger in a national company. In August 1945 a Commission was appointed to study the question and later in the year this body reported in favour of a merger. Its recommendations merit careful consideration in that if implemented they would clarify the long continued difficult transit situation in the City of Rio de Janeiro. The matter is now being studied with the new Municipal administration.

The decrease of 3.89% in the total number of passengers recorded in 1945 is more apparent than real. Passengers in Rio are counted by zones traversed and when more than one zone is travelled the passenger is counted twice, or as the case may be. With the approval of the Municipal authorities modifications were made commencing 4th October 1945, in the long established tramway fare zones resulting in a more uniform fare structure throughout the city. While the size of the zone and the fare per zone were in some instances increased, the number of fare zones was reduced resulting in an apparent reduction in passengers carried although the volume of traffic carried was not affected. In São Paulo a small decrease occurred. Towards the end of the year gasoline restrictions were removed in Brazil with a resulting increase in the operation of private cars, buses and jitneys and this has to a minor extent relieved the pressure on the tramways which continues very great.

While some additional buses came into operation following the abolition of gasoline rationing the wear and tear on all buses during the war has been so great that in Rio less than one half the total prewar fleet is in operation.

Telephone Service

Telephone equipment of all types is still in short supply, but it has now been possible to place substantial orders with suppliers in Brazil and abroad which should have the effect during 1946 and 1947 of considerably reducing current shortages.

15,009 additional lines were installed during 1945. The number of prospective subscribers awaiting connections increased during the year from 38,699 to 64,298.

The Company's existing concessions, authorizations and licenses for intermunicipal service in the State of São Paulo, the terms of which have been extended year by year since December 1942, were further extended to 31st December 1946 by Decree-law 15329 of 20th December 1945.

Gas Service

The combined output of gas in the cities of Rio de Janeiro, São Paulo and Santos under continued rationing showed an increase over 1944 of 9.5%, but was still 6% less than that for 1941 when no rationing was in force. The arrangement mentioned in previous reports by which the price of gas to consumers is based on the cost of imported coal delivered at the works continued in force during the year in all three cities served.

As the Rio Gas Company had to supply during the year most of the foundry coke consumed in Brazil, the Brazilian and American authorities increased the quotas of imported coal which were larger than in 1944. Unfortunately, however, this increase in supply was offset by a deterioration in quality and it was not possible to discontinue rationing. Owing to labour disturbances in the United States and the impossibility of obtaining gas coal in Great Britain the maintenance of the present supply is a matter of considerable anxiety.

During the year Brazilian coal was used to the greatest possible extent, but due to local shortages amounted to only 21% of the total coal consumption, compared to 30% in 1944.

Industrial Sufficiency in Brazil

Work continued during 1945 on the National Steel Mills at Volta Redonda in the State of Rio de Janeiro and these are now nearing completion. The ultimate capacity of this plant is over 340,000 tons per annum and, as noted in the 1943 report, this is not far short of the present combined capacity of existing plants in Brazil.

During the year a total of 14,000,000 KWH was supplied to Volta Redonda and this load will progressively increase as the mills come into production, which it is hoped will be about August 1946. Besides power for the mills proper, the Company supplies light for public and private illumination in the town which has been built for the workers.

Foreign Trade of Brazil

The following table shows Exports and Imports (in thousands of cruzeiros) for the years 1941 to 1945 inclusive:

	1941	1942	1943	1944	1945
Exports.....	6,725,401	7,499,556	8,728,569	10,726,509	12,197,510
Imports.....	5,514,417	4,644,348	6,161,741	7,965,141	8,617,320
Balance of Trade	<u>1,210,984</u>	<u>2,855,208</u>	<u>2,566,828</u>	<u>2,761,368</u>	<u>3,580,190</u>

NOTE: To facilitate consideration by those not familiar with Brazilian currency, the approximate equivalent of 1000 cruzeiros may be taken as \$50.00 U.S.

The balance of trade for 1945 represents the largest visible trade surplus in Brazil's economic history. 55.11% of total imports originated in the United States and a further 21.62% in Argentina. Exports to the United States represented 49.35%, Great Britain 12.16% and Argentina 11.95% of the total.

Total shipments of coffee in 1945 amounted to 14,170,003 bags as compared with 13,558,122 bags in 1944 or an increase of 4.5%. As a result of the termination of the war, shipments of coffee to European ports increased considerably, amounting to 1,429,400 bags compared with 858,453 in 1944. It is anticipated that as soon as shipping facilities are available, coffee exports to Europe will greatly increase. The total value of coffee exported was Cr\$4,260,340,000 as against Cr\$3,879,343,000 in 1944 or an increase of 9.8%.

Political

During 1945 Brazil underwent far-reaching political changes. The course of events has been given ample publicity in the press, but it is satisfactory to record that the change of government at the end of October 1945 was accomplished without untoward incident. In accordance with the provisions of the Constitution, President Vargas was succeeded by Minister Jose Linhares, President of the Supreme Court. President Linhares set up a "caretaker" government on 29th October 1945, which remained in office till 31st January 1946, when the newly elected President, General Eurico Gaspar Dutra, formerly Minister of War, took his oath of office. The elections, which were conducted in a most orderly and dignified manner, resulted not only in General Dutra's election to the Presidency of the Republic but assured his party (Social Democratic Party) a working majority in the Constituent Assembly, which was installed on 5th February 1946.

The members of the Constituent Assembly are now engaged in the drafting of a new Brazilian Constitution, to take the place of the Constitution of 1937. The provisions respecting the treatment of public utility concessionaire companies and that to be accorded to foreign capital generally are still in the formative stage.

Hon. G. Howard Ferguson, P.C., K.C., LL.D.

The death of Hon. G. Howard Ferguson, a former Premier of the Province of Ontario and a Vice-President of the Company, on 21st February 1946, removed from the Board an esteemed

and valued associate. He was a man of outstanding attainments, possessing wide experience, exceptional good sense and wise judgment. His unfailing sense of humour made it a pleasure to work with him and he enjoyed the affection and esteem of all his colleagues.

Changes in the Board

Mr. E. C. Fox was elected a Vice-President and Mr. Henry Borden, C.M.G., K.C., of Toronto, was appointed a Director to fill the respective vacancies caused by the death of Hon. G. Howard Ferguson.

Appointments in Brazil

Mr. Humphrey B. Style was, on 26th February 1946, appointed President of the operating subsidiary companies in Brazil in place of Mr. A. W. K. Billings who has resigned these offices. Mr. Style is an electrical engineer of long experience in public utility work in Venezuela, Bolivia and England, having been General Manager of the Bolivian Power Company and later of the Wessex Electricity Company in the South of England.

On 26th February 1946, Dr. Edgard de Souza, Vice-President of The São Paulo Tramway, Light & Power Company, Limited was appointed Executive Vice-President of the operating subsidiary companies in São Paulo and Santos. On the same date Major K. H. McCrimmon, Director of The Rio de Janeiro Tramway, Light & Power Company, Limited was appointed a Vice-President of all the operating subsidiary companies and Mr. H. L. Banfill, General Manager of the Brazilian Telephone Company was appointed Executive Vice-President of that Company.

Mr. J. M. Bell resigned his position as Director of The Rio de Janeiro Tramway, Light & Power Company, Limited on 5th December 1945, and was appointed General Consultant on Operation.

The Directors wish to record their appreciation of the services which have for so many years been rendered by the above mentioned gentlemen and also by the general managers, heads of departments and other officials in Brazil who have so zealously contributed to the successful operation of the Companies' services.

For the Board of Directors,

TORONTO,
11th MAY, 1946.

A. W. K. BILLINGS,
President.

COMPARATIVE CONSOLIDATED BALANCE SHEET OF BRAZILIAN TRACTION, LIGHT AND POWER COMPANY, LIMITED,

THE RIO DE JANEIRO TRAMWAY, LIGHT AND POWER COMPANY, LIMITED,
(and its Subsidiary, BRAZILIAN TELEPHONE COMPANY),

THE SÃO PAULO TRAMWAY, LIGHT AND POWER COMPANY, LIMITED,

SÃO PAULO ELECTRIC COMPANY, LIMITED,
(and its Subsidiary, THE SAN PAULO GAS COMPANY, LIMITED),
THE CITY OF SANTOS IMPROVEMENTS COMPANY, LIMITED and
BRAZILIAN HYDRO ELECTRIC COMPANY, LIMITED

AS AT 31st DECEMBER, 1945 AND 1944

(Expressed in terms of United States Currency)

	31st December 1945	31st December 1944
Capital Account—		
Properties, plant and equipment, construction expenditure, at cost, including interest during construction, etc.	\$327,314,912	\$311,566,844
Cost of shares and securities of and advances to companies owned or controlled by subsidiary companies	32,101,166	31,620,890
	\$359,416,078	\$343,187,734
Sinking fund holdings, at cost—		
São Paulo Electric Company, Limited, first mortgage bonds	\$ 3,928,040	\$ 3,674,229
Current Assets—		
Stores in hand and in transit, including construction material	\$ 11,979,597	\$ 12,581,509
As determined and certified by the management, at prices not exceeding cost.		
Sundry debtors and debit balances after provision for doubtful accounts	10,942,227	5,650,059
This account includes bonds of subsidiary companies held for sinking fund purposes.		
Temporary investments in securities of the Dominion of Canada, the United Kingdom and the United States of Brazil at book value (Market value at 31st December, 1945, \$41,379,972)	41,299,659	36,878,591
Cash, including Brazilian currency	28,670,187	27,448,999
	\$ 92,891,670	\$ 82,559,158
	<u>\$456,235,788</u>	<u>\$429,421,121</u>

Note—The current assets and liabilities of the operating companies in Brazil were valued for the purposes of this balance sheet at the end of the year in dollars at the closing sight rate on the special free market for exchange on New York.

The current assets and liabilities in Canadian dollars and in sterling were valued for the purposes of this balance sheet at the end of the year at the official rates for United States dollars.

The transfer of cash balances is subject to the exchange regulations in Brazil, Canada and the United Kingdom as the case may be.

LIABILITIES

Capital Stock—issued and outstanding—

7,029,893 Ordinary shares of no par value	\$179,358,230	\$179,358,230
3,934 Six per cent. cumulative preference shares of the par value of \$100 each	393,400	393,400

In addition to the above, 16,011 preference shares have been transferred to the Secretary on behalf of the company in respect of the conversion of 90,066 preference shares into ordinary shares.

Shares of subsidiary and sub-subsidiary companies outstanding

Total capital stock outstanding—taken for the purposes of this balance sheet in United States dollars at par of exchange for Canadian dollars and sterling	1,684,193	1,684,193
	\$181,435,823	\$181,435,823

Funded Debt—

The Rio de Janeiro Tramway, Light and Power Company, Limited—

Five per cent. 50-year mortgage bonds (1st April, 1938)—balance after sinking fund redemptions (£2,342,513)	\$ 11,400,232	\$ 12,170,720
Five per cent. 22-year bonds (1st October, 1950) (£271,334)	1,320,493	1,320,493
	\$ 12,720,725	\$ 13,491,213

The São Paulo Tramway, Light and Power Company, Limited—

Five per cent. perpetual consolidated debenture stock—(£821,917)	3,999,996	3,999,996
São Paulo Electric Company, Limited—		
Five per cent. 50-year first mortgage bonds (1st January, 1962) (£2,000,000)	9,733,333	9,733,333
	\$ 26,454,054	\$ 27,224,542

Note—The funded debt which is expressed in sterling is taken for the purposes of this balance sheet in United States dollars at par of exchange.

In addition, there is a funded debt of a company controlled by a subsidiary company of £1,400,000 (equivalent to \$6,813,333 at par of exchange) of which £1,195,700 or \$5,819,073 has been redeemed to 31st December, 1945. The interest and sinking fund charges are provided out of the revenue of the subsidiary company.

Current Liabilities—

Sundry creditors	\$ 19,540,973	\$ 13,997,194
Liability for 5% 50-year mortgage bonds of The Rio de Janeiro Tramway, Light and Power Company, Limited drawn for redemption in 1946	531,895	382,221
Bond, debenture and share warrant coupons and dividend cheques outstanding	14,011,633	10,479,288
Accrued charges on funded debt	405,920	412,600
Credit balances (provisions for contingencies and insurance funds for injuries and damages)	9,950,453	6,257,711
	\$ 44,440,874	\$ 31,529,014

Reserves—

*Provisions for depreciation (balance after meeting retirements to date)	\$104,771,762	\$101,601,641
Sinking fund reserves	15,844,098	14,820,072
General amortization reserves	26,494,534	25,494,539
General reserves	10,862,021	10,785,302
	\$157,972,415	\$152,701,554
Profit and Loss	45,932,622	36,530,188
	\$203,905,037	\$189,231,742
	\$456,235,788	\$429,421,121

*This Reserve includes provision for depreciation of physical assets of companies owned or controlled by subsidiary companies.

On behalf of the Board:

WALTER GOW,
E. C. FOX,

} Directors.

AUDITORS' REPORT

To the Shareholders of Brazilian Traction, Light and Power Company, Limited:

We have audited the Head Office accounts of Brazilian Traction, Light and Power Company, Limited, The Rio de Janeiro Tramway, Light and Power Company, Limited (and its subsidiary, Brazilian Telephone Company), The São Paulo Tramway, Light and Power Company, Limited, São Paulo Electric Company, Limited (and its subsidiary, The San Paulo Gas Company, Limited), The City of Santos Improvements Company, Limited and Brazilian Hydro Electric Company, Limited, and have examined the reports and statements submitted by other Chartered Accountants covering the capital and revenue accounts and provisions for depreciation in Brazil for the year ended 31st December, 1945. We have obtained all the information and explanations which we have required.

The net revenues of the operating companies owned or controlled by Brazilian Traction, Light and Power Company, Limited, after provision for or payment of all losses, expenses and charges including depreciation, bond interest and sinking funds, as provided under contracts with them are payable to and are included in the profit and loss account of Brazilian Traction, Light and Power Company, Limited.

Subject to the foregoing we report that, in our opinion, the attached comparative consolidated balance sheet, comparative profit and loss account and profit and loss surplus account are properly drawn up so as to exhibit a true and correct view of the state of the combined companies' affairs at 31st December, 1945, and of their operations for the year ended on that date, according to the best of our information, the explanations given to us, the reports of the auditors in Brazil and as disclosed by the books of the companies.

CLARKSON, GORDON & Co., } *Auditors.*
Chartered Accountants, }

Toronto, 30th May, 1946.

BRAZILIAN TRACTION, LIGHT AND POWER COMPANY, LIMITED

COMPARATIVE PROFIT AND LOSS ACCOUNT

(Expressed in terms of United States Currency)

	<u>Year 1945</u>	<u>Year 1944</u>
Revenue from operating companies including interest on advances after payment of or provision for all their charges and expenses including depreciation, bond and debenture interest and sinking funds - - - - -	\$22,128,704	\$21,976,642
Interest on temporary investments - - - - -	\$ 574,906	\$ 409,329
Miscellaneous income - - - - -	42,863	61,855
	<u>\$ 617,769</u>	<u>\$ 471,184</u>
	<u>\$22,746,473</u>	<u>\$22,447,826</u>
General and administration expenses—including remuneration of counsel, solicitors and legal advisers and executive officers of Brazilian Traction, Light and Power Company, Limited, amounting in 1945 to \$16,642 - - - - -	\$ 233,957	\$ 213,608
Provision for general amortization - - - - -	300,000	300,000
	<u>\$ 533,957</u>	<u>\$ 513,608</u>
Balance transferred to Profit and Loss Surplus Account - -	<u>\$22,212,516</u>	<u>\$21,934,218</u>

Note—

Remuneration of Directors including payments by subsidiary companies (excluding executive officers) amounted in 1945 to \$21,837.

Remuneration of counsel, solicitors and legal advisers and executive officers in Brazil and elsewhere of subsidiary and associated operating companies amounted in 1945 to \$417,418.

PROFIT AND LOSS SURPLUS ACCOUNT, 31st December, 1945

(Expressed in terms of United States Currency)

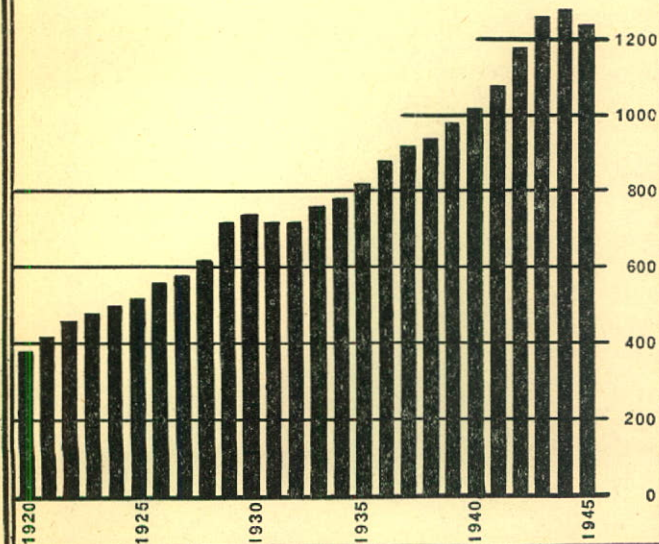
Balance, 31st December, 1944 - - - - -		\$36,530,188
Transferred from Profit and Loss Account - - - - -	\$22,212,516	
Less Dividends:		
Preference Shares—paid in Canadian funds - - - - -	\$ 23,604	
Equivalent in United States dollars - -	\$ 21,479	
Ordinary Shares—paid in Canadian funds		
\$1.00 per share 1st June, 1945	\$7,026,685	
\$1.00 per share 1st Dec., 1945	7,026,724	
	<u>\$14,053,409</u>	
Equivalent in United States dollars - -	12,788,603	12,810,082
Balance, 31st December, 1945 - - - - -		<u>\$45,932,622</u>

STATISTICS OF COMBINED COMPANIES

SERVICE	1941.	1942.	1943.	1944.	1945.
TRACTION					
<i>Tramways:</i>					
Total track (miles) - - - - -	531.50	529.74	529.65	527.94	527.07
Rolling stock:					
Passenger cars - - - - -	2,044	2,046	2,061	2,063	2,062
Freight and service cars - - - - -	283	279	274	270	270
<i>Funicular Railway:</i>					
Total track (miles) - - - - -	2.56	2.56	2.56	2.56	2.56
Rolling stock:					
Electric locomotives - - - - -	4	4	4	4	4
Passenger cars - - - - -	4	4	4	4	4
Freight and service cars - - - - -	2	2	2	2	2
<i>Buses:</i>					
Route (miles) - - - - -	161.70	121.34	124.60	132.37	132.37
Number of Buses - - - - -	143	142	142	142	118
<i>Car Miles Run:</i>					
Tramways - - - - -	73,187,032	74,699,318	77,818,387	74,969,804	74,768,681
Funicular Railway - - - - -	15,152	15,091	15,550	18,132	20,025
Buses - - - - -	6,957,261	5,782,266	4,883,952	5,283,569	4,578,098
Total - - - - -	80,159,445	80,496,675	82,717,889	80,271,505	79,366,804
Total Passengers recorded - - - - -	1,070,737,408	1,160,506,565	1,253,073,742	1,289,812,422	1,239,612,655
ELECTRIC LIGHT AND POWER					
Kilowatt hours sold - - - - -	1,816,992,420	1,984,507,419	2,148,027,358	2,395,847,529	2,606,418,262
Capacity of generating plants (K.W.) - - -	556,509	591,509	612,570	612,570	662,570
Total connected load (K.W.) - - - - -	1,286,890	1,392,522	1,482,911	1,564,806	1,725,853
Total Consumers - - - - -	591,935	622,051	654,375	662,734	694,957
Transmission lines (miles of circuit) - - -	2,052.26	2,082.92	2,063.08	2,090.80	2,091.33
Distribution lines (miles of wire) - - - -	31,063.13	32,066.90	33,118.17	34,125.55	35,332.60
GAS					
Gas sold (cubic metres) - - - - -	161,620,413	144,082,607	125,387,787	138,980,937	152,175,571
Total consumers - - - - -	158,191	162,745	165,413	170,426	178,108
Mains laid (miles) - - - - -	1,227.64	1,238.17	1,245.92	1,250.04	1,259.87
Stoves, water heaters and other appliances -	184,787	185,691	186,271	186,962	188,181
WATER					
Water sold (cubic metres) - - - - -	12,609,857	12,533,660	12,737,644	13,165,587	13,007,566
Total consumers - - - - -	24,205	23,497	23,834	24,217	24,625
Trunk mains laid (miles) - - - - -	37.86	37.91	37.96	37.97	37.68
Distribution mains laid (miles) - - - - -	262.60	265.95	267.69	269.58	272.11
TELEPHONES					
Total number of telephones in service - - -	244,993	261,549	277,734	290,880	305,889
Average daily calls - - - - -	4,242,847	4,432,723	4,684,549	5,113,921	5,531,667
Wire strung (miles) - - - - -	1,166,838	1,218,008	1,280,776	1,403,366	1,512,224
Pole lines (miles) - - - - -	7,439	7,683	7,740	7,818	8,044

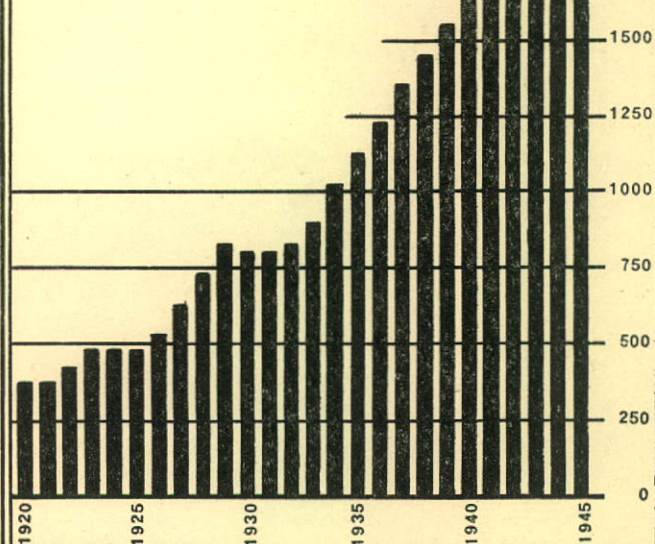
TRACTION SERVICES

PASSENGERS
RECORDED
IN MILLIONS



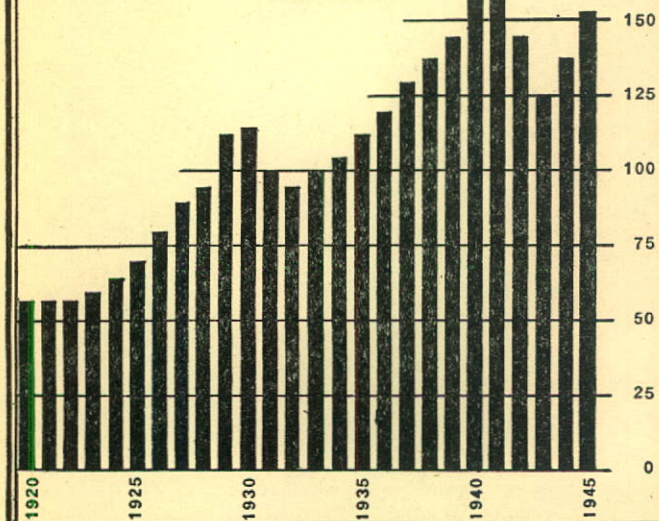
SALES OF ELECTRICAL ENERGY

K.W. HRS.
IN MILLIONS



GAS SALES

CUBIC METRES
IN MILLIONS



TELEPHONES IN SERVICE

IN THOUSANDS

